Date: December 4, 2013
To: Tech Forum (techforum@bpa.gov)
From: Henry Tilghman
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Re: BPA 2103 NOS Process Update Comments

Tilghman Associates offers the following comments to BPA's 2013 NOS Process. Thank you for the opportunity to submit comments. While Tilghman Associates represents independently owned and operated generation projects in the Northwest, these comments have not been reviewed or approved by any specific BPA customer.

**General Comments**

BPA should complete the 2013 Cluster Study and Network Open Season on its current published timelines. The specific suggestions below for improvement to future Network Open Season processes are not intended to delay the work that is currently underway.

As BPA noted over 50% of the requests (by MW) eligible elected not to participate in the 2013 Cluster Study. As BPA also noted, this is a result of two factors: 1) the new requirement that requests identify a specific source and sink; and 2) the higher financial commitments of the 2013 NOS.

BPA's decision to exempt itself from the requirement to provide source and sink data from its transmission service requests - through the pretext of defining the request as an "asset exchange" - is likely discriminatory and inconsistent with FERC's Open Access principles. If that decision is not challenged, it is more likely to be a result of the lack of resources in the development community than concurrence with the principal. BPA should be cautious in allowing itself to reserve transmission service for itself without the same requirements it imposes on other customers.

BPA should reconsider its requirement that all customers specify source and sink information in their transmission service requests. Given the disparate timelines for the planning, siting and construction of generation v. transmission assets, the requirement to specify source and sink presents an insurmountable barrier to the generation developers.

While the lack of source and sink information creates challenges in the cluster study process, BPA should explore creative alternatives to its current requirements.

**Specific Questions**

**Whether BPA should include regional benefits as part of the Preliminary Business Evaluation**

Yes, BPA should continue to include regional benefits as part of the Preliminary Business Evaluation in the 2013 Network Open Season. Unfortunately, I no longer believe that the REBA as currently formulated accurately identifies the full scope of regional benefits. Among the flaws of the current REBA:

- Failure to incorporate regional public policy goals related to carbon
- Assumptions maximize coal generation at expense of lower carbon resources
- Failure to incorporate carbon costs as an emission cost
- Reliability benefits are understated (reliability benefits likely exceed the avoided costs of reliability upgrades)
- Fails to incorporate the social costs of carbon
- Fails to consider other regional public policy priorities

Accordingly, BPA should incorporate the REBA into its Preliminary Business Evaluation for the 2013 NOS. However, prior to the 2014 NOS Cycle BPA should also undertake an effort to develop an alternative metric that captures the full range of non-economic benefits associated with potential transmission projects.

**Whether to use the current Cluster Study financial components in future Cluster Studies.**

Hopefully BPA has reached the conclusion - based on the number of requests that declined to participate in the 2013 Cluster Study - that the aggregate financial commitments needed to participate in the Cluster Study are already too high. Based on my understanding of the BPA presentation, BPA intends to increase significantly the financial commitments required to participate in the 2014 NOS. BPA should not increase customers' financial commitments - if anything, BPA should explore ways to reduce those financial commitments.

**Identify areas of scope for the CIFP that need more discussion**

BPA should continue to assume a 1% rate increase in the CIFA. Based on the discussion at the NOS meeting on November 18, it appears that assuming a higher rate increase would result in more projects meeting the rolled-in rate test. Using a 1% rate increase for purposes of the CIFA is actually more conservative than assuming a higher level of rate increase.

**Identify areas of CIFA Assumptions that need more discussion**

BPA should re-examine how it calculates reliability benefits in the CIFA. Currently, BPA calculates the reliability benefits to be limited to the avoided cost of other reliability upgrades. While the current method may be a useful proxy, it captures only one aspect of what is likely a wider array of reliability benefits. BPA should explore how to identify and quantify the wider range of reliability benefits.

BPA should also consider broader public policy goals in its evaluation. It appears that BPA is assuming that individual customers will convert state public policy goals into transmission service requests; and that BPA does not need to consider public policy goals directly. But nothing prevents BPA from working with customers in the region to identify those public policy goals that are driving new generation resource acquisitions and considering those public policy goals in various stages of the planning process.

**Using the 2013 Cluster Study process indefinitely**

The 2013 Cluster Study process and methodology need to be improved. BPA should not consider using the 2013 Cluster Study process and methodology indefinitely. As noted above, BPA needs to revisit its financial requirements; as well as its requirement that customers (except BPA) provide source and sink information.

The Cluster Study process also needs to be integrated into BPA's other various planning processes. Currently, there appears to be no plan for coordination between the two Columbia Grid processes (regional and inter-regional); Attachment K; and NOS. Ideally, these planning processes would not exist independently of each other; rather each would inform and build upon the results of the others.

There are any number of potential different ways these different processes could be integrated. One example would be for the Columbia Grid processes to identify a list of potential projects that would meet forecasted regional needs (over a time horizon of 10 plus years). The Network Open Season/Cluster Study/Attachment K processes would be used to validate specific projects from the Columbia Grid studies. Once demand for a specific project met a certain threshold (threshold to be determined) - and especially if the project supported customers in meeting their public policy goals - BPA could begin NEPA even before a project was fully subscribed (as had occurred with the initial round Network Open Season projects). If future Network Open Seasons continued to validate the project, BPA could then proceed with a decision to build.

BPA should also undertake to coordinate the timelines associated with the NOS/Cluster Study Process, Attachment K and Columbia Grid - not only to balance BPA staffing requirements, but also to maximize the useful information that comes out of each process so that the results of each process are logically incorporated into the others.